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**Preston**

MINES LIMITED

**Annual Report 1965**



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# **Preston**

MINES LIMITED

## **ANNUAL MEETING**

The annual meeting of the shareholders of the Company will be held on Wednesday, May 25th, 1966 at 11:00 a.m. (Toronto time) in the Board Room, 11th Floor, 335 Bay Street, Toronto, Canada.

## **Annual Report 1965**

# Preston Mines Limited

## Directors

G. R. Albino  
W. P. Arnold  
G. Baker  
J. Ian Crookston

W. B. Malone  
Dr. G. B. Langford  
R. D. Lord  
W. P. Pitfield

H. L. Roper

## Officers

W. B. Malone  
W. P. Arnold  
G. Baker  
E. S. W. Hunt  
R. D. Lord  
G. R. Devey  
D. G. Scott

President  
Vice-President  
Vice-President  
Vice-President  
General Manager of Operations  
Secretary  
Treasurer

## Mine Manager (South Porcupine)

G. F. Greenacre

## Head Office

335 Bay Street, Toronto, Canada

## Bankers

The Toronto-Dominion Bank  
The Royal Bank of Canada

Toronto and South Porcupine, Ontario  
Toronto and Elliot Lake, Ontario

## Solicitors

Bouck, Hetherington, Fallis, Trivett & Park

Toronto, Ontario

## Auditors

Allen, Miles, Fox & Johnston, Chartered Accountants

Toronto, Ontario

## Transfer Agents

Common Shares

Eastern & Chartered Trust Company

Canadian Bank of Commerce Trust Company

Preference Shares (Redeemed)

Canada Permanent Trust Company

Toronto, Ontario  
New York, N.Y.

Toronto, Ontario

## Common Shares Listed

Toronto Stock Exchange  
American Stock Exchange

Toronto, Ontario  
New York, N.Y.



# Directors' Report to the Shareholders

Your Directors present the sixth Annual Report of the Company for the year ended December 31, 1965.

## Financial

The net profit for the year 1965 was \$2,023,488 or 30 cents per common share as compared to \$2,138,843 and 32 cents per share in the previous year. As in 1964, this year's profit came almost entirely from dividends received on your Company's shareholding in Rio Algom Mines Limited which amounted to \$1,883,840.

The 1965 gold mining operations resulted in a small operating profit of \$50,849. Sales of machinery and equipment from the closed-down Stanleigh uranium mine were made throughout the year but on a reduced scale, and the net proceeds, after deducting reconditioning and selling costs, amounted to \$115,309 compared to \$218,903 in 1964.

In 1965 two dividends, each of 14 cents per share, were paid by the Company, the first on June 22 and the second on December 24. The dividends totalling \$1,883,840, equalled the amount received in dividends from Rio Algom.

## Operations

As stated in the report on operations, ore reserves again declined but it is still profitable to work the mine with government assistance, provided that a properly balanced labour force can be kept in being.

## Investment in Rio Algom Mines Limited

Your Company's investment in Rio Algom continues unchanged at 4,709,600 shares, representing an interest of approximately 44.4 per cent of the issued shares of that company. Rio Algom's profit increased from \$7.66 million in 1964 to \$8.2 million in 1965, equal to 72 cents and 77 cents per share of common stock, respectively. Its shareholders' equity increased by approximately \$4,000,000.

Operations of the Mining Division of Rio Algom were satisfactory, net earnings having increased from approximately \$7.7 million in 1964 to \$9.3 million in 1965.

The Nordic mine at Elliot Lake continued to be the only uranium mine which the Company had in operation in 1965. Deliveries of uranium oxide were maintained at the rate scheduled in the master contract with Eldorado Mining and Refining Limited, and, in addition, 275,000 pounds were delivered to the Canadian Government stockpile under an agreement entered into in July, 1965 which provides for deliveries over a five-year term. Rio Algom is continuing its active long-range exploration programme to add to its reserves of uranium, which, although large, must be increased if predicted future demand is to be met.

The profitability of the copper operation at Pronto was enhanced by the strength in copper prices. As foreseen in last year's Rio Algom Annual Report, two associated

copper mines are being brought into production and are currently delivering their first concentrates.

Exploration has continued during 1965 and a number of promising base metal prospects in Canada are being investigated.

In the Steel Division, the Welland plant has been working at full capacity producing record output and record profits. Difficulties associated with the process of bringing into production the new stainless steel plant at Tracy, Quebec are still being encountered, and these problems have adversely affected the profitability of the Steel Division. However, the plant should shortly be capable of producing stainless sheet of the finest quality and at a competitive price.

The Annual Report of Rio Algom for the year 1965 has been published. Copies may be obtained from the Secretary of your Company upon request.

### **Directors and Officers**

Honourable Robert H. Winters re-entered public life during the last general election in November, 1965 and was later appointed Minister of Trade and Commerce. Mr. Winters' valuable services to the Company and Rio Algom Mines Limited, whose Chairman and President he was for many years, will be missed and your Directors wish to record their appreciation of the contribution he made to your Company and to wish him every success in his new appointment.

Mr. W. B. Malone, who has long been closely associated with the Company and who is the First Vice-President of Rio Algom Mines Limited, was elected President early in 1966.

Toronto, Canada  
April 27, 1966

On behalf of the Board of Directors  
W. B. MALONE  
President



# Auditors' Report

To the Shareholders of Preston Mines Limited

We have examined the balance sheet of Preston Mines Limited as at December 31, 1965 and the related statements of profit and loss and retained earnings for the year ended on that date. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion the accompanying balance sheet and statements of profit and loss and retained earnings present fairly the financial position of Preston Mines Limited as at December 31, 1965 and the results of its operations for the year ended on that date, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Our examination also included the accompanying statement of source and application of funds which, in our opinion, when considered in relation to the aforementioned financial statements, presents fairly the sources and applications of funds of the company for the year ended December 31, 1965.

Toronto, Canada,  
February 1, 1966.

ALLEN, MILES, FOX & JOHNSTON  
Chartered Accountants.

# Preston Mines Limited

(Incorporated under the laws of Ontario)

## Balance Sheet as at December 31, 1965

(with comparative figures at December 31, 1964)

### ASSETS

	<u>1965</u>	<u>1964</u>
CURRENT:		
Cash . . . . .	\$ 71,780	\$ 116,401
Call loans and short term notes, at cost . . . . .	700,000	383,375
Settlements receivable . . . . .	111,030	115,268
Estimated amount receivable under The Emergency Gold Mining Assistance Act . . . . .	177,932	200,247
Accounts receivable from affiliated companies . . . . .	9,054	—
Other accounts receivable . . . . .	18,222	37,524
	<u>1,088,018</u>	<u>852,815</u>
INVESTMENT IN AN AFFILIATED COMPANY:		
4,709,600 shares of Rio Algom Mines Limited, at cost . . . . .	<u>31,653,900</u>	<u>31,653,900</u>
FIXED:		
Plant and equipment, at cost . . . . .	23,628,869	24,069,059
Less accumulated depreciation (note 1) . . . . .	23,610,031	24,034,147
	18,838	34,912
Mining properties, at cost (\$1,752,654) less amortization (note 1) . . . . .	<u>1,182,865</u>	<u>1,182,865</u>
	<u>1,201,703</u>	<u>1,217,777</u>
OTHER:		
Supplies, at cost . . . . .	93,667	124,910
Deferred charges, deposits and prepaid expense . . . . .	74,964	72,736
	<u>168,631</u>	<u>197,646</u>
	<u>\$34,112,252</u>	<u>\$33,922,138</u>

The accompanying notes are an integral part of the



## LIABILITIES AND SHAREHOLDERS' EQUITY

	<u>1965</u>	<u>1964</u>
CURRENT:		
Accounts payable and accrued liabilities . . . . .	\$ 112,790	\$ 151,575
Accounts payable to an affiliated company . . . . .	5,694	6,431
Unclaimed dividends . . . . .	144,073	54,085
	<u>262,557</u>	<u>212,091</u>
SHAREHOLDERS' EQUITY:		
Capital stock—		
Authorized:		
1,069,925 4% cumulative, redeemable, non-voting preference shares		
with a par value of 50 cents each		
10,000,000 common shares without par value		
Issued:		
6,728,000 common shares . . . . .	6,728,000	6,728,000
Contributed surplus . . . . .	24,993,673	24,993,673
Retained earnings . . . . .	2,128,022	1,988,374
	<u>33,849,695</u>	<u>33,710,047</u>
Approved on behalf of the Board:		
W. B. MALONE Director		
W. P. ARNOLD Director		
	<u><u>\$34,112,252</u></u>	<u><u>\$33,922,138</u></u>

# Statement of Profit and Loss

YEAR ENDED DECEMBER 31, 1965

(with comparative figures for 1964)

	<u>1965</u>	<u>1964</u>
REVENUE:		
Bullion production less marketing costs . . . . .	\$1,278,435	\$1,433,589
Estimated recovery under The Emergency Gold Mining Assistance Act . . . . .	349,250	391,433
	<u>1,627,685</u>	<u>1,825,022</u>
OPERATING COSTS:		
Mine operating . . . . .	1,568,762	1,748,073
Depreciation (note 1) . . . . .	8,074	14,962
	<u>1,576,836</u>	<u>1,763,035</u>
PROFIT from mining operations before the undernoted items . . . . .	50,849	61,987
ADD OR (DEDUCT):		
Dividends received from Rio Algom Mines Limited . . . . .	1,883,840	1,883,840
Investment and other income . . . . .	28,831	42,263
Proceeds from sale of uranium assets . . . . .	195,435	310,896
Cost of reconditioning equipment sold and idle mine expense . . . . .	(80,126)	(91,993)
Administrative and general expense (including directors' fees of \$7,383 in 1965 and \$7,600 in 1964) . . . . .	(55,341)	(68,150)
NET PROFIT FOR THE YEAR (note 2) . . . . .	<u>\$2,023,488</u>	<u>\$2,138,843</u>

The accompanying notes are an integral part of this statement and should be read in conjunction therewith.

# Statement of Retained Earnings

YEAR ENDED DECEMBER 31, 1965

(with comparative figures for 1964)

	<u>1965</u>	<u>1964</u>
BALANCE, beginning of the year . . . . .	\$1,988,374	\$2,809,851
NET PROFIT for the year . . . . .	<u>2,023,488</u>	<u>2,138,843</u>
	4,011,862	4,948,694
DIVIDENDS PAID on common shares . . . . .	<u>1,883,840</u>	<u>2,960,320</u>
BALANCE, end of the year . . . . .	<u><u>\$2,128,022</u></u>	<u><u>\$1,988,374</u></u>

The accompanying notes are an integral part of this statement and should be read in conjunction therewith.

## Notes to Financial Statements

DECEMBER 31, 1965

### 1. AMORTIZATION AND DEPRECIATION:

With respect to the company's fixed assets used in the production of gold, the cost of plant and equipment is being depreciated on the reducing balance basis at the maximum rates allowable for income tax purposes. No amount for depletion has been provided in the company's accounts for ore mined from the gold property.

Fixed assets used in the production of uranium were fully amortized by December 31, 1963 at which time deliveries under contract had been completed.

### 2. INCOME AND MINING TAXES:

It is estimated that there are no income or mining taxes payable on the profit for the year ended December 31, 1965.



# Statement of Source and Application of Funds

YEAR ENDED DECEMBER 31, 1965

## FUNDS WERE PROVIDED AS FOLLOWS:

### Operations—

Net profit for the year . . . . .	\$2,023,488	
Add provision for depreciation which did not require a cash outlay during the year . . . . .	8,074	\$2,031,562
Proceeds from sale of gold assets . . . . .		8,000
Decrease in other assets . . . . .		29,015
		<u>2,068,577</u>

## FUNDS WERE APPLIED AS FOLLOWS:

Dividends paid on common shares . . . . .	1,883,840
INCREASE IN WORKING CAPITAL . . . . .	<u>\$ 184,737</u>

	December 31, 1965	December 31, 1964
CURRENT ASSETS . . . . .	\$1,088,018	\$ 852,815
CURRENT LIABILITIES . . . . .	<u>262,557</u>	<u>212,091</u>
	<u>\$ 825,461</u>	<u>\$ 640,724</u>
INCREASE IN WORKING CAPITAL . . . . .		<u>\$ 184,737</u>

# Report on Gold Operations

Results of operations for the year ending December 31, 1965 for the Company's gold mine at South Porcupine are reviewed herewith.

	<u>1965</u>	<u>1964</u>
Dry tons milled . . . . .	180,810	188,500
Average per milling day . . . . .	613	639
Fine ozs. of gold produced (est.) . . . . .	33,995	38,092
Fine ozs. of silver produced (est.) . . . . .	3,989	4,235
Average mill heads in ozs. per ton . . . . .	0.196	0.211
Average net recovery in ozs. per ton. . . . .	0.188	0.202
Average gold in tailings in ozs. per ton . . . . .	0.0084	0.0085
Average recovery . . . . .	96.0%	96.0%

## Production

Tons milled were 5 per cent less than for the previous year and the grade of mill-feed was 7 per cent below that in 1964. Operating costs per ton milled excluding write-offs for depreciation, etc. and head office administration expenses, were as follows:

	<u>1965</u>	<u>1964</u>
Development and diamond drilling . . . . .	\$1.48	\$1.91
Mining . . . . .	5.88	6.09
Milling . . . . .	1.32	1.25
Total cost per ton milled . . . . .	<u>\$8.68</u>	<u>\$9.25</u>

Operating costs were 6 per cent lower than for the previous year. The principal factor contributing to the lower operating costs was a curtailed development programme from which was eliminated work of a highly exploratory nature in the mine. Stoping costs also were slightly lower than the previous year.

## Development

The following table shows the development work completed during 1965 and 1964.

	<u>1965</u>	<u>1964</u>
Advance (feet) . . . . .	7,755	9,328
Ore developed (feet) . . . . .	2,300	1,344
New ore width (feet) . . . . .	4.7	3.9
Cut grade (ozs. per ton) . . . . .	0.20	0.24

Of the new ore disclosed, 79 per cent is in the Midcamp zone, and 21 per cent in the area leased from Dome Mines.

The disposition of the sulphide veins in the Midcamp zone is generally known from previous exploratory work on the 12th to 20th levels. This permitted a much less extensive diamond drilling programme and, with development concentrated in the favourable areas, approximately double the new ore-footage was obtained compared to the

previous year. Diamond drilling for the year amounted to 19,800 feet compared to 48,400 feet the year previously. Development ore comprised 10.9 per cent of the mill feed during 1965 and, at year-end, broken reserves remained unchanged at 12,900 tons.

### **Ore Reserves**

Ore reserves at December 31, 1965 were estimated at 237,673 tons, with an indicated grade of 0.20 ozs. per ton. This reflects a decrease in the year of 64,316 tons compared with a decrease of 94,581 tons in 1964.

Although the ore-reserve grade, allowing for 10 per cent dilution, is calculated at 0.20 ozs. per ton, mining experience in 1965 was of a lower actual grade of 0.196 ozs. per ton.

### **General**

Mill performance was satisfactory with a recovery of 96 per cent and was unchanged from the previous year. The mill produced 48,000 tons of hydraulic fill for the mine. No significant capital expenditures were made during the year.

The contract with the United Steelworkers of America was renewed on June 12, 1965 for a one-year term.

The future of mining operations depends largely on the availability of suitable labour in the months ahead. A training programme for unskilled men, implemented in conjunction with the Department of Labour, is in effect, and management looks to this to compensate for loss of employees to higher-wage industries.

### **Acknowledgements**

The mine has functioned effectively with a minimum complement of staff and notwithstanding the labour turnover experienced. The good performance and loyal service of Mr. G. F. Greenacre, Mine Manager, and the Preston staff and employees is acknowledged.

January 6, 1966

R. D. LORD  
General Manager of Operations







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